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STATE ANNOUNCES INTENT TO AWARD JULY 1, 2005 MEDICAL BENEFITS CONTRACT TO GREAT WEST HEALTH CARE

Also Plan to Continue Contracting with Delta Dental

The Department of Personnel & Administration (DPA) has announced that it intends to return to self-funded health and dental benefit plans, beginning July 1, 2005. While self-funding will not lower employee premiums, it will reduce the rate of increase. The move to self-funding is expected to save state employees about \$4 million in the first year.

DPA spent much of the last year redesigning its medical and dental benefits to improve the choices available to State employees. After a thorough competitive bidding and evaluation process, DPA announced its intent to use Great West Health Care to provide third party administration and pharmacy benefit management through Great West's affiliation with Express Scripts for its medical benefits program, commencing July 1, 2005. The State cannot award the contract until completion of the procurement process, which allows bidders to review the final evaluation.

Great West was chosen because the evaluation showed that they provided the best overall value to state employees. They have significant experience as a third party administrator of self-funded plans. They also have a broad provider network, offering expanded access to many employees living in rural areas, as well as broader prescription drug options. Based on the comprehensive evaluation, Great West's services to contain medical costs, case management tools, disease management programs, and reporting and analysis capabilities best aligned with the State's proposal and intended direction.

"When the new contract goes into effect July 1, 2005," says DPA Executive Director Jeff Wells, "state employees will have access to more plan choices than they have now, including one plan that qualifies for Health Savings Accounts. Additional plans will be a significant improvement for all employees, especially those in rural areas who have seen their choices steadily

decline in recent years. Employees will also continue to have the option to choose medical coverage from either Kaiser Permanente HMO or San Luis Valley HMO in the geographic areas where those plans are available."

The State also announced its intent to continue contracting with Delta Dental as the administrator for its new self-funded dental plans. The plan designs will include a traditional dental provider network with the choice of two benefit levels, and a new third option called "Direct Reimbursement." This new option allows employees to select any dentist and receive benefit payment directly from the plan.

According to Wells, "this new approach to dental coverage will allow employees greater freedom to select the best combination of premium, benefit, and choice of dentist that meets their particular needs."

DPA understands that the changes to self-funding and a potentially new administrator raise questions: most employees will probably wonder, "How will this affect me?" Although many details have yet to be determined, DPA will keep you informed regularly as we move towards July 2005.

What happens on July 1, 2005?

On July 1, 2005, the State will begin offering broader plan choices with five new plan designs, one of which will qualify for a Health Savings Account. In addition, the fully insured Kaiser and San Luis Valley HMOs will remain in place in those areas where they are currently available.

Is the change going to cost more for employees? While many might think that a return to self-funding will mean a decrease in rates, this is not the case. As has been noted many times in *HealthLine* over the past

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few years, health care costs continue to dramatically outpace all other consumer costs, meaning significant rate increases for people across the entire nation. However, rates will not be going up nearly as much under the self-funded plans as they would have under the proposed fully insured plans we reviewed.

Self-funding does allow us to buy more for the money and better tailor the plans to meet the needs of our workforce. Rates should be finalized in the coming months and be published in an upcoming *HealthLine* in the next few months.

Will I be able to use my current doctor and hospital?

Part of the proposal evaluation process included detailed analysis to determine how many physicians and hospitals may not be available under the new plans. Great West offered the broadest network of physicians and hospitals, and 95% of those physicians currently available will be available under the new plans. There will also be even more hospital and physician choices than are currently available. However, it is important to keep in mind that provider and hospital networks are always subject to change. As is always the case, it is not necessarily

better for the State to use all providers regardless of price. The State and Great West will continue to balance access to providers along with quality, safety, and cost.

Will this affect my prescription coverage?

Prescription coverage will be different. However, Great West offers broader prescription drug options than the other proposals evaluated.

What's happening with dental coverage in 2005?

The State intends to continue its relationship with Delta Dental. In addition to continuing the Basic and Basic Plus options, we also plan to implement a direct reimbursement option in July. This allows employees to choose any dentist. It works as a reimbursement, whereby the employee or dependent pays the dentist up-front, then receives a direct reimbursement from the dental plan.

DPA will make every effort to ensure a smooth transition on July 1, 2005. Current contracts (those for the short plan-year) include performance standards, and the State will hold current carriers to those standards. Additionally, Great West's offer includes a substantial commitment to helping ensure a smooth transition. We will continue to keep employees informed in the coming months.

IMPORTANT INFORMATION ABOUT EXEMPLA HOSPITALS AND THE JANUARY 1, 2005 THROUGH JUNE 30, 2005 SHORT PLAN-YEAR

As many employees have already heard, Anthem will no longer be contracting with Exempla hospitals as of January 1, 2005. DPA has received numerous calls and questions, and affected employees should have already received a letter detailing Anthem's plans for continuity of treatment and coverage. If you are enrolled in an Anthem plan, with the expectation of using an Exempla hospital (Lutheran, St. Joseph or Good Samaritan), and have not received this letter by December 31, contact DPA at 303-866-3436.

When the State buys insurance products and shifts the risk to those companies, as is current practice, the State has limited control over provider and hospital networks. Provider and hospital networks make their agreements directly with the insurance carriers, not employers, and these agreements are always subject to change. If the State insisted on the participation of all providers, it would drive up our costs even higher. If a hospital or other provider knows that an administrator is required to contract with them, the hospital or provider can use that to leverage higher prices.

DPA understands that this unexpected change will cause some inconveniences and is working with Anthem to ensure continuity in treatment. DPA is also working directly with Exempla hospitals to help transition those patients affected by this change.

If you have further questions or concerns, contact Anthem directly at one of the following dedicated State customer service lines: 303-831-2384 in the Denver Metro area or toll free at 1 800-843-5621.